

Culture, Voting Behavior, and Institutional Reform: Evidence from Transition Countries*

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Abstract

Why do some societies fail to adopt “good” economic institutions? Recent literature points to the crucial role of compatibility between existing social norms and the proposed formal rules in facilitating institutional change. To shed light on one potential mechanism in this relationship, we track parliamentary election performance of chief executive parties in up to 17 post-communist democracies between 1991 and 2015 to test whether cultural attitudes influenced voters’ response to market-institutional reform. We present empirical evidence that in more individualistic cultures, greater reform efforts during an incumbent’s tenure are associated with greater electoral reward for the incumbent in the next election. The implication is that in democracies, voters select those ruling elites whose behavior is in line with prevailing culture. Our findings are consistent with a growing literature that shows a positive effect of individualism on economic and institutional performance across countries.

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... [A] key characteristic of a democracy is the continuing responsiveness of the government to the preferences of its citizens, considered as political equals.

— Robert Dahl (1971, p. 1)

1. Introduction

Why do some societies fail to adopt “good” institutions? This question has been at the forefront of a vast literature studying the relationship between the quality of formal institutions—the codified “rules of the game” that govern human interaction (North, 1991)—and comparative levels of economic development. That institutions matter is well-documented in numerous empirical studies highlighting the importance of property rights, rule of law, and good governance for economic prosperity (e.g., North 1990; Acemoglu et al., 2001; Rodrik et al., 2004). Building on this research, a growing literature has argued that the choice of the modes of societal organization is ultimately contingent upon social *culture*—the shared norms and values that constrain, proscribe, and justify different formal institutions (Licht et al., 2007; Williamson, 2000; Greif, 1994).

However, if social culture *does* determine (formal) institutions, one may ask how and under what conditions. Presumably, the influence of culture over policymaking should be more evident in politically free compared to authoritarian regimes: in democracies, voters cast ballots in favor of policy options consistent with their ideology, worldviews, and interests. Consequently, politicians who implement culturally or economically preferred policies are rewarded in free and open elections. In this paper, we posit that certain institutions arise because citizens who hold favorable views toward those institutions keep the ruling politicians’ behavior in check at the ballot box. We test this hypothesis empirically in an unbalanced panel of up to 17 post-socialist democracies transitioning from planned to a market economy between 1991 and 2015.

Following the revolutions of 1989 (“The Autumn of Nations”), some 30 countries across Eastern Europe and Central Asia began their transition to democracy and a market-based economic system. The collapse of centralized economic and political institutions across these countries ushered in the era of multiparty pluralism and sweeping political and market liberalization. However, the first two decades of transition saw varying degrees of success in market transformation, with Central European countries achieving relatively high levels of prosperity as well as European Union (EU) membership, and Balkan along with most ex-Soviet states lagging behind.¹

The transition experience of post-socialist countries spurred considerable scholarly research on the causes and consequences of market reform. While numerous empirical studies confirm the positive long-run effect of reforms on growth², only a handful have addressed the *drivers* of institutional reform during transition. The emerging consensus indicates that apart from initial macroeconomic and institutional conditions, the transition reform paths were significantly influenced by countries’ pace of democratization (e.g., Campos and Horvath, 2012; Falcetti et al., 2006; Fidrmuc, 2003; De Melo et al., 2001). However, the puzzle is that “one can only speculate why democracy encourages [economic] liberalization” (Fidrmuc 2003, p. 601). One influential idea in political economy argues that liberalizing measures, such as property rights, fail to emerge in the absence of civil liberties and political constraints because the elites cannot otherwise credibly commit to withholding from the arbitrary confiscation of private wealth (Acemoglu et al., 2006; North, 1993).

¹ See Gwartney and Montesinos (2018) for an overview of economic and institutional performance of transition countries between 1995 and 2015.

² See Babecky and Havranek (2014) for a meta-analysis of articles on reforms and growth during post-socialist transition.

However, few theories of democratic origins of “good-for-development” institutions emphasize a potential channel going from voter preferences to the behavior of ruling elites. If democracy is to be taken as *the* inclusive and participatory political system that blurs the boundary between the citizen and government, then the outcomes of democratization ought to, at least partly, be conditional on the cultural values that determine voter preferences for different institutional equilibria. Along this vein, Tarabar (2017) shows a differentiated impact of democratization across 21 transition countries, based on specific cultural environments from which democracy emerged: in countries fostering a culture of individualism and political egalitarianism, the effectiveness of democracy in promoting market reform is strengthened, and otherwise suppressed.³

The idea that culture was key to successful market transition is not a new one. Pejovich’s (2003) “interaction thesis” points to cultural acceptance of free markets and private property as the *sine qua non* of capitalist transformation. Intuitively, mass-scale institutional restructuring involves transaction costs whose magnitude depends on how individuals value any newly proposed formal rules. If formal and informal rules are congruent, the costs of implementing reforms are lower because newly enacted formal rules institutionalize already existing informal ones; if they clash, the transaction costs are higher and *de facto* enforcement may be absent (e.g., Acemoglu and Jackson, 2017). In that respect, whether national culture complements or clashes with market institutions, we expect to find corresponding preference signaling by voters across a wide sample of transition countries.

³ For a related argument on the relationship between popular support for reforms (itself determined by macroeconomic conditions) and reform implementation among transition countries, see Kim and Pirttilä (2006); also, Leibrecht and Pitlik (2015) and Landier et al. (2008), who find in a broad cross-section of countries that the effectiveness of pro-market sentiments and social capital on market reform is conditional on democracy levels and executive constraint.

We empirically examine the cultural theory of institutional change by asking whether transition societies having cultural worldviews that are predominantly complementary (antithetical) to the market system are more (less) reformed because party elites are held accountable for their reform efforts at the ballot box. Specifically, we test whether and how culture informs voters' decision to retroactively reward or punish the responsible political party (typically that of the Prime Minister) in parliamentary (lower house) elections for observed reform performance. We posit that in predominantly pro-market cultural environments, greater reform efforts during a given government's tenure are likely to be consistent with greater electoral reward for the incumbent, all else equal. Such electoral reward spurs the "virtuous circle" whereby reform-minded government(s) are enabled to proceed with further reform.

In line with this intuition, we find that of the three cultural dimensions considered, only individualism has a robust effect on voting outcomes. In particular, in the full control fixed effects model, we find that one standard deviation increase from average reform is associated with a loss in the share of preference votes won by the incumbent by about three-fifths (60%), when national culture is fully collectivist (individualism = 0). Alternatively, in a fully individualistic culture (individualism = 100), one standard deviation increase from average reform is associated with an *increase* in the share of preference votes won by about one-quarter (23%).⁴ This result is robust to the inclusion of various socio-economic controls as well as alternative estimation methods; moreover, it is conceptually consistent with the findings of Gorodnichenko and Roland (2017, 2011) and Klasing (2013), who identify a strong positive effect of individualism on long-run economic and institutional development of countries.

⁴ Note, however, that due to the log-linear form of our econometric models, these numbers should not be interpreted in absolute terms, but *relative*. For example, a *nearly one-quarter* improvement in terms of share of votes won is tantamount to an increase in absolute vote share from 4% to 5%, or from 40% to 50%.

Our findings may likewise be seen as supplementary to the *political losers hypothesis* of institutional change (Acemoglu and Robinson, 2005), which states that the ruling elites block the introduction of beneficial institutions to preserve political power (and thus their economic rents), as was the case in Imperial Russia and Austria-Hungary (Acemoglu and Robinson, 2000). However, since in modern-day democracies political power is typically won or lost each election cycle, we argue that whether institutional reforms will be blocked or carried out in politically free societies may depend on the normative values of the voting populace who induce the political will (or lack thereof) in party elites to act.

Early theoretical considerations on the viability of efficiency-enhancing reforms suggest that voters may move to block reforms because of the *ex ante* uncertainty about the distributional outcomes (Fernandez and Rodrik 1991). Similarly, Fidrmuc's (2000a, 2000b) analyses of voting determinants in Hungary, Slovakia, Poland, and Czechia find that expected economic winners of transition (entrepreneurs, university-educated, and white-collar workers) will support reform-minded parties, independently of country differences in "history, culture, or the extent of post-communist legacy" (p. 215). This paper's approach differs in that it explicitly examines normative cultural worldviews as a potential determinant of voter behavior. In doing so, we present some first direct evidence of one plausible structural mechanism connecting culture to institutional outcomes (and thus economic performance) across countries.

The paper proceeds as follows. Section 2 discusses the relevant literature on culture and institutional change. Section 3 presents the data and empirical approach. Section 4 reports the results. Section 5 offers some concluding remarks.

2. Related Literature

Several prominent strands in political economy literature stress the role of distributional conflicts in shaping institutions and economic performance. According to one such theory, inefficient institutions persist because neither the ruler nor the ruled can credibly commit to respecting the agreed-upon allocation of incomes *ex post* (Acemoglu et al., 2006). Without renouncing at least some political power—without democratization—the elites cannot guarantee they will withhold from seizing newly created wealth after allowing for property rights. Similarly, citizens can offer no credible promise to the ruler that she will be compensated after democratization. As a result, the *elites choose* those institutions (and technologies) that preserve their political office and their ability to extract rents.

Although the above “conflict theories” go a long way in explaining historical persistence of institutions, in today’s democracies their ramifications are less clear. If the ruling elites are already subject to political constraints *ex ante*, who decides on the institutions? That is, what explains the variation in institutional quality among already established democracies? A related, and burgeoning, literature has argued that in the long run, a society’s chosen set of institutions is subject to constraints imposed by its basic notions of right and wrong, desirable and unwelcome (Williamson, 2000). According to this view, it is the society’s *culture*—the widely accepted intergenerational beliefs, attitudes, and values—that proscribes and justifies corresponding social behaviors and worldviews, and thus limits the set of possible institutions that will “stick.”⁵

The empirical work in this arena has demonstrated causal influence of cultural norms over institutions, typically by instrumenting domestic culture with linguistic pronoun drop or neighboring countries’ culture (e.g., Klasing, 2013; Licht et al., 2007, 2005). Although this

⁵ See Boettke et al. (2008) for more on the relationship between culture and institutional “stickiness.”

literature shows that norms such as trust, individualism, and egalitarianism are causally linked with rule of law, protection from state expropriation, and good governance, the mechanism by which this relationship unfolds remains less clear. We argue that for a society's culture to translate into policy/institutional outcomes, the underlying transmission mechanism must enable culture to "impose" itself on the behavior of ruling elites. In that respect, without considerable levels of political rights and civil liberties, the elites are again free to choose institutions based on expected rents or private convictions.

If democracy represents the transmission channel in the culture-institutions relationship, then culture can likewise contextualize the effectiveness of democracy. For example, if prevailing cultural beliefs are conducive to growth, then they should matter *more* in democratic countries *ceteris paribus* and, conversely, the positive effect of democracy on growth (by way of inducing economic reforms) should be greater in pro-reform cultural environments.^{6,7} This body of research suggests a critical role for voter behavior in linking culture to institutional quality. Some preliminary evidence along this line of inquiry shows that Italian voters in high-social-capital provinces (valuing trust and respect) are more likely to punish their regional representatives for actions seen as morally egregious; specifically, for alleged infractions raised by the country's prosecutors and absenteeism from parliamentary vote (Nannicini et al., 2013; Tabellini, 2008).⁸

⁶ The relationship between democracy and economic and institutional development is one of the most studied in social sciences. Acemoglu et al. (forthcoming) study a sample of 184 countries observed annually between 1960 and 2010 and find that democracy promotes growth "by increasing investment, encouraging economic reforms, improving the provision of schooling and health care, and reducing social unrest" (p. 3). Giuliano et al. (2013) find empirical evidence that democracy promotes economic reforms across 150 countries between 1960 and 2004. Rode and Gwartney (2012) find that democracy exhibits an inverted-U relationship with an alternative measure of economic liberalization.

⁷ See Tarabar (2017), Leibrecht and Pitlik (2015), and Landier et al. (2008) for empirical work uncovering the interdependency between culture and democracy.

⁸ Also see Bennett and Long (2018), who study the impact on gubernatorial election outcomes of economic policy implementation in the U.S.

We take stock of this nascent literature and ask whether normative cultural worldviews likewise motivate voters' reaction to *institutional change* across countries and time. To that end, transition countries represent a suitable testing ground for examining how culture and democracy mattered in determining the pace of market reform. The sudden and largely unexpected fall of the Berlin Wall (and communism) established basic elements of multiparty democracy in countries with either very distant or non-existent memory of a market economy.⁹ This unique quasi-natural experiment in mass democratization and institutional change allowed for examining how voter sentiments translated into whether *societies chose* reformers or reactionaries to wield political power over the course of market transition.

To our knowledge, comparative empirical studies of the impact of electoral outcomes on transition reforms began with Fish (1997), who found that the outcome of the first post-communist elections (in either 1990 or 1991) significantly influenced countries' reform performance by 1995.¹⁰ The study shows that market institutions emerge faster following freely contested, nationally important, and non-annulled elections in which reformers claimed victory. However, what caused the disparate election performance of reform-oriented political parties across transition countries?¹¹ As discussed in Runst (2014), deeply rooted historical attitudes

⁹ "In the years leading up to 1991, virtually no Western expert, scholar, official, or politician foresaw the impending collapse of the Soviet Union, and with it one-party dictatorship, the state-owned economy, and the Kremlin's control over its domestic and Eastern European empires. Neither, with one exception, did Soviet dissidents nor, judging by their memoirs, future revolutionaries themselves." "Everything You Think You Know about the Collapse of the Soviet Union is Wrong," *Foreign Policy*, June 20, 2011. URL: <<https://foreignpolicy.com/2011/06/20/everything-you-think-you-know-about-the-collapse-of-the-soviet-union-is-wrong/>>

¹⁰ Some related, albeit indirect evidence on the political determinants of economic reform in transition countries are provided by Di Tommaso et al. (2007), who find a negative correlation between institutional reform and the absolute vote difference between communist (or successor communist) and largest non-communist party in the first post-socialist elections.

¹¹ Differing national attitudes towards pro-market reformists and the old communist guard was evident early on in the transition process. For example, in 1991 Tajikistan saw a victory of the communist presidential candidate (with 57% of the vote) in freely contested elections, while in Moldova the Party of Communists won a majority of seats in 2001 parliamentary elections. On the other hand, in Czech Republic the communists won less than one-sixth of the popular vote in both houses of the parliament in 1990, while in Hungary the erstwhile communists won nine percent of the vote the same year (Fish, 1997).

toward markets may account for much of this variation: where these values are consistent with the market principles, voters tend to reward pro-reform coalitions.

To empirically corroborate this claim, we set out to explore which cultural dimension, if any, influenced voters' reaction to market reform in a sample of up to 17 transition countries.¹² We posit that the electoral response will be conditional upon certain cultural values that critically shape voters' worldviews toward markets: where such worldviews are in harmony with newly adopted market reforms, the incumbent is rewarded by the electorate, further encouraging reforms; alternatively, where culture is in conflict with reforms, voters deal their punishment and weaken pro-reform political will. In that respect, we offer an alternative to the *responsibility hypothesis* (Fidrmuc, 2000a, 2000b)—the idea that voters in transition countries decide with their wallets in mind, and that a critical mass of entrepreneurs, university-educated, and white-collar workers is needed to vote in reformers.

3. Data and the Empirical Approach

3.1 Baseline Model

We begin by estimating the equation in the spirit of Nannicini et al. (2013) and Tabellini (2008):

$$\Delta VoteShare_{it} = \beta Reform_{it} + \gamma Reform_{it} \times Culture_{d,i} + \mathbf{X}'\theta + \alpha_i + \varepsilon_{it}, \quad (1)$$

where $\Delta VoteShare$ stands for the (log) difference in the share of preference votes won by the incumbent's (usually Prime Minister's) party in country i after tenure t , $Reform \equiv \Delta EBRD$ is the change in the level of EBRD's transition indicator over incumbent's tenure, $Culture$ is a time-

¹² These are: Albania, Armenia, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Estonia, Macedonia, Georgia, Hungary, Latvia, Lithuania, Moldova, Poland, Romania, Slovakia, and Slovenia. We exclude from the analysis countries and government tenures that have missing, inconsistent, or incomplete election/party data, countries with very weak parliaments, and countries for which we have concerns over the validity of election results over much of the observed period: Azerbaijan, Yugoslavia, Belarus, Russia, Ukraine, etc.

invariant cultural dimension d based on Hofstede (1980, 2001) indices, \mathbf{X} is the vector of control variables, and α_i are country fixed effects.¹³ The interaction between reforms and culture implies that the marginal effect of reforms on electoral performance is conditional on cultural dimension d :

$$\frac{\partial \Delta \text{VoteShare}_i}{\partial \text{Reform}_i} = \beta + \gamma \text{Culture}_{d,i}. \quad (2)$$

The “cultural fallout” of reform implementation is captured by the coefficient of interest γ : for $\hat{\gamma} > 0$, a cultural worldview d increases realized political payoff for the incumbent; for $\hat{\gamma} < 0$, it decreases it. In that respect, elections act as a mechanism that assigns parliamentary seats to those political interests conforming to national culture. Dates of elections and government tenures are given in appendix **Table A.1**.¹⁴

Our empirical approach differs from those in similar studies in several ways. First, we focus on parties’ *de facto* reform stance rather than nominal (stated) ideology (e.g., left/right, communist/nationalist, pro-/anti-EU). This allows us to gauge the median voter’s reaction to the actual implementation of reforms (or lack thereof), rather than to purely *a priori* expectations (Fidrmuc 2000a, 2000b).¹⁵ Second, by examining only the performance of the Prime Minister’s party, we are able to abstract from government type (minority/majority, coalition/single-party)

¹³ Note that the constituent time-invariant term *Culture* in the interaction term is subsumed in the country fixed effect in this specification. Other plausibly important time-invariant and slow-moving variables, such as ethnolinguistic and religious heterogeneity, historical circumstances, and colonial history are likewise controlled for by this method.

¹⁴ We collected and cross-examined the data on parliamentary election results and PM office holders from different sources. We primarily drew data from the ParlGov Database (Döring and Manow 2016), while we also relied on Nohlen and Stöver (2010), Chapel Hill Expert Survey (CHES), Global Election Database, Manifesto Project Database, and Adam Carr’s election archive.

¹⁵ This distinction is of particular importance for political parties in transition countries, which were notorious for fuzzy linkages between stated platforms and actual behavior once in power. For example, Fidrmuc (2000b) recounts that ex-communist parties in Poland and Hungary signaled their anti-reform stance *ex ante*, only to carry out reforms once in power.

and potentially irrelevant players by regarding the Prime Minister—the chief government minister—as the person who oversees government activity and who bears primary responsibility over reform trajectory. Third, we address concerns over potential endogeneity of reforms. Lastly, the scope of our study concerns a wider sample of transition countries, including Eastern European (Visegrád group), Balkan, and ex-Soviet states.

3.2 Variables of Interest

Market reform measures are based on the widely used *transition indicators* provided by the European Bank for Reconstruction and Development (EBRD). The indices, ranging from +1 to +4.33, track progress in implementing market reforms in six key areas: (i) large scale and (ii) small scale privatization, (iii) governance and enterprise restructuring, (iv) price liberalization, (v) trade and foreign exchange system, and (vi) competition policy. The Bank’s experts judge transition countries by how well they approximate the market-institutional standards of advanced industrialized economies. The score of 1 indicates little to no progress, while scores of 4 and above signal that a country has achieved highest performance standards in the above areas. We take the simple average of scores across all six dimensions to measure the overall progress in reform implementation.

We use Hofstede (1980, 2001) dimensions of culture to categorize different cultural worldviews. Initially derived from survey responses of IBM employees in 1960s and 1970s and acclaimed for their explanatory power, Hofstede’s cross-sectional indices of individualism/collectivism, power distance, uncertainty avoidance, indulgence/restraint, and long/short-term orientation dimensions represent mutually independent cultural values that

constitute “mental programming” of nations.¹⁶ In particular, the development literature finds that societies fostering a strong sense of individualism, political egalitarianism (low power distance), and low uncertainty avoidance are well suited for the establishment of beneficial economic institutions and promotion of economic development (see Alesina and Giuliano 2015 for an exhaustive review of relevant literature).

The time-invariant nature of Hofstede indices recently raised concerns over their contemporary validity. To test temporal stability in these dimensions, Beugelsdijk et al. (2015) replicate Hofstede indices using World (WVS) and European (EVS) Values Survey data from countries’ representative samples of individuals split by two non-overlapping generational cohorts born, on average, in 1941 and 1971.¹⁷ Beugelsdijk et al. (2015) find that although some cultural change can be observed *within* countries (across generations), the overall cultural differences *between* countries remain stable over time. To exploit a wider sample of cultural values as well as to implicitly control for intergenerational cultural change, we take the average of the *replicated* Hofstede dimensions across two generations as the relevant cultural dimensions within countries (see **Table 1** for descriptive statistics).

Individualism (IND) refers to a sense of personal achievement, autonomy, individual freedom, and primary responsibility to self and closest kin. Its opposite, *collectivism*, emphasizes tradition, conformity, and deference to the community. Individualism has been shown to have a robust and causal impact on institutional quality and long-run economic development by encouraging innovation, protecting investor legal rights, and promoting democratization within

¹⁶ “Hofstede’s measures have faced criticism, but they constitute by far the most used and cited cultural framework in international business, management, and applied psychology” (Alesina and Giuliano 2015, p. 907).

¹⁷ The older cohort consists of 171,379 individuals born between 1902 and 1958, and younger of 173,447 individuals born after 1958. The replicated data were constructed from integrated WVS and EVS surveys conducted in several waves between 1981 and 2008.

countries (Licht et al 2007, 2005; Gorodnichenko and Roland 2017, 2015, 2011). Individualistic cultures value individual uniqueness, autonomy, trustworthiness, pursuit of socio-economic status, and “I” over the collective “We.”

Power distance (PDA) measures the extent to which less powerful members of society accept socio-political inequalities. In high-power-distance cultures, people without power expect and sometimes even *prefer* to be taken care of by their “leaders” (boss, teacher, clergyman, president). The emphasis on obedience, respect for authority, and belief in inherent inequalities between the rulers and the ruled points to an entrenched sense of *inegalitarianism* that legitimizes social hierarchies based on unearned privileges. Such hierarchies were especially prominent under communist regimes, with explicit divisions between the Party commissars and the general populace. Alternatively, low-power-distant societies tend to denounce such hierarchies and be more participatory and egalitarian. Low power distance correlates with stronger investor rights, rule of law, absence of corruption, and democratic accountability (Gorodnichenko and Roland 2011; Licht et al. 2007, 2005).

Uncertainty avoidance dimension (UA) gauges the level of society’s comfort with ambiguity and novelty. More uncertainty-averse societies react negatively to different or unexpected situations, and seek out organizational and institutional solutions that minimize such uncertainty. This aversion manifests in different ways, including intolerance and prejudice toward new ideas and national minorities, higher demand for regulation, trust in top-down experts, authoritarian tendencies, and fear of deep social changes. Uncertainty avoidance was found to be inversely related to the protection of investor rights (Licht et al. 2005).

Prima facie, we observe a positive correlation of EBRD reform levels with individualism, and negative with power distance and uncertainty avoidance, in two snapshots in time, 2000 and

2014 (**Figures 1-3**).¹⁸ The scatterplots suggest that most reformed countries tend to be more individualistic, politically egalitarian, and tolerant of uncertainty.

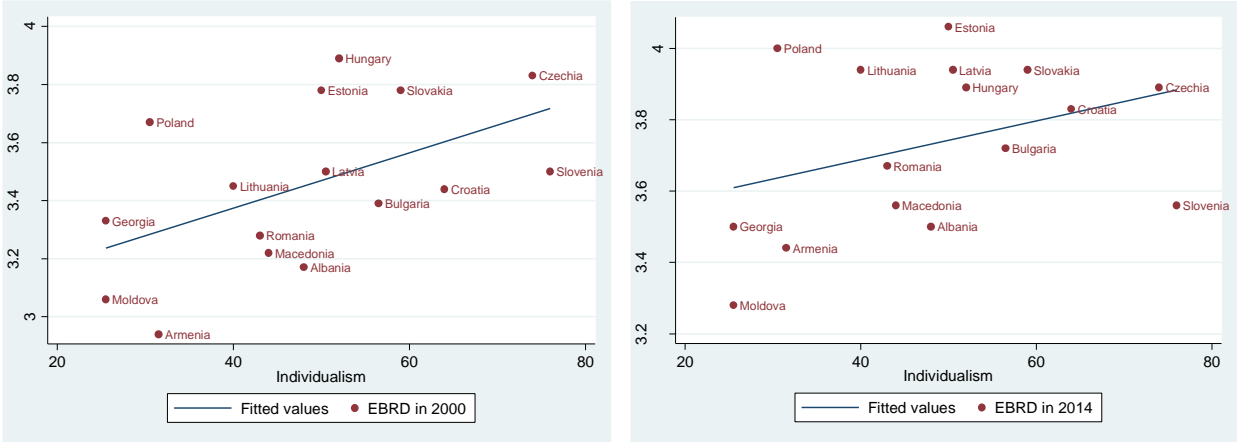


Figure 1: bivariate (linear) relationship between individualism and EBRD reform levels in 2000 and 2014.

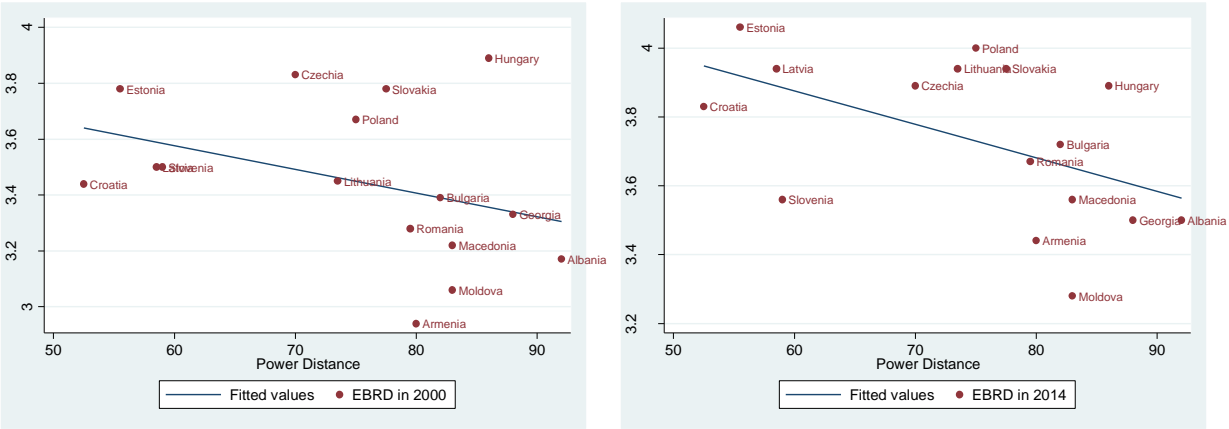


Figure 2: bivariate (linear) relationship between power distance and EBRD reform levels in 2000 and 2014.

¹⁸ We exclude Bosnia and Herzegovina from Figures 1-3 as it represents a clear outlier, and which we do not observe in full regression models due to lack of data.

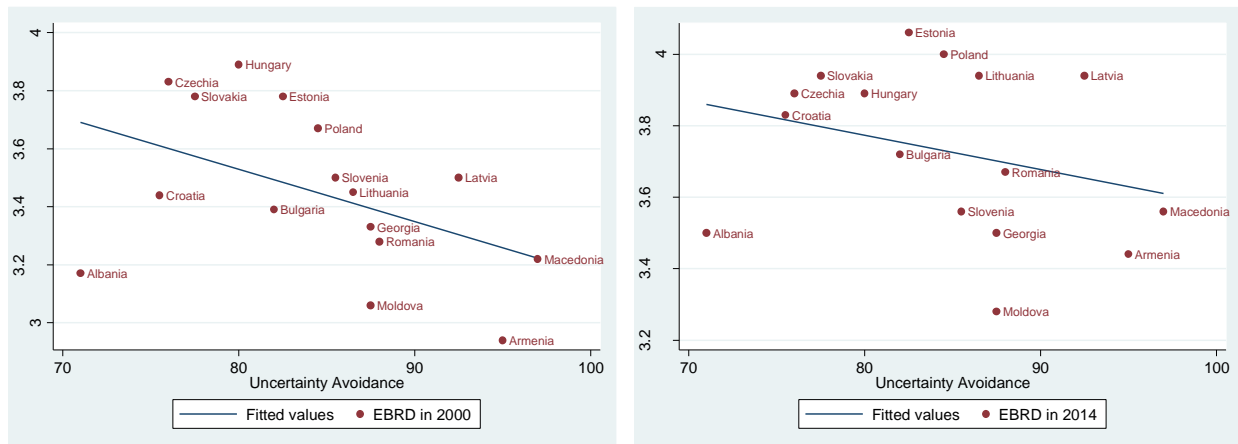


Figure 3: bivariate (linear) relationship between uncertainty and EBRD reform levels in 2000 and 2014

Table 1. Descriptive statistics of (replicated) Hofstede values.

Country	Individualism	Power Distance	Uncertainty Avoidance
Albania	48	92	71
Armenia	31.5	80	95
Bosnia and Herzegovina	39	53.5	64
Bulgaria	56.5	82	82
Croatia	64	52.5	75.5
Czech Republic	74	70	76
Hungary	52	86	80
Georgia	25.5	88	87.5
Estonia	50	55.5	82.5
Latvia	50.5	58.5	92.5
Lithuania	40	73.5	86.5
Macedonia, FYR	44	83	97
Moldova	25.5	83	87.5
Poland	30.5	75	84.5
Romania	43	79.5	88
Slovakia	59	77.5	77.5
Slovenia	76	59	85.5
Mean	47.6	73.4	83.1
Std. Deviation	14.8	12.5	8.3
Minimum	25.5	52.5	64
Maximum	76	92	97

We test whether individualism, power distance, and uncertainty avoidance shaped how voters in transition countries reacted to the introduction of market institutions. Based on the above, we argue that market reforms are particularly welcome in individualistic countries because individualistic citizens are more eager to prove themselves, earn their competitive marginal product, and retain and invest the fruits of their labor (and capital).

$$\mathbf{Hypothesis\ 1:} \quad \frac{\partial \Delta \text{VoteShare}_{it}}{\partial \text{Reform}_{it}} = \beta + \gamma \text{Individualism}_i, \hat{\gamma} > 0. \quad (3)$$

In high-power-distance societies, popular attitudes tend to swing towards the acceptance of centralization, “benevolent autocrats” as leaders, and social hierarchies based on inequality and unearned privileges, all of which go against the decentralized nature of the markets. Market reforms disturb existing equilibria of political and economic power, and create a vacuum in social hierarchies that must be filled through personal achievement and participation. We posit that more power distant societies tend to punish reformist incumbents:

$$\mathbf{Hypothesis\ 2:} \quad \frac{\partial \Delta \text{VoteShare}_{it}}{\partial \text{Reform}_{it}} = \beta + \gamma \text{PowerDistance}_i, \hat{\gamma} < 0. \quad (4)$$

Societies that are averse to uncertainty are more likely to be suspicious of the deep structural changes induced by market reforms. This uncertainty may act as an obstacle to reforms due to social anxiety with the new economic order and way of life, unease with competition, and concerns for employment prospects and future income (Fidrmuc 2000a, 2000b). Controlling for growth rate of real income as well as prevalence of expected economic winners in transition, we hypothesize that more uncertainty-avoiding cultures signal this unease to the incumbent:

$$\mathbf{Hypothesis\ 3:} \quad \frac{\partial \Delta \text{VoteShare}_{it}}{\partial \text{Reform}_{it}} = \beta + \gamma \text{UncertaintyAvoidance}_i, \hat{\gamma} < 0. \quad (5)$$

3.3 Control Variables

Electoral performance of parties and politicians depends on a variety of factors. In baseline models, we account for the initial share of votes won by the current incumbent, the initial EBRD reform levels at the beginning of tenure, voter turnout, length of incumbent's tenure (in years), average annual GDP growth during tenure (inclusive of election years), and a dummy for if the country was (or became) an EU member during the observed period.¹⁹ Importantly, we lend observational equivalence between elections occurring at different times between 1991 and 2015 by including a trend term that counts years elapsed between elections and 1991, the year by which most transition countries established political pluralism and independence.

In full control regressions, we additionally control for the quality of democracy using the average of Polity IV index (Marshall et al. 2017) during a government's tenure (inclusive of election years). Polity IV index gauges the quality of democracy on a scale from -10 (full autocracy) to +10 (full democracy). The scores are based on the openness and competitiveness of political process, as well as the constraints on executive power. We likewise include the average urbanization rate (percentage of population living in cities) to proxy for the mass of high-earners and expected transition "winners" within countries, as entrepreneurs, university-educated, and white-collar workers are typically concentrated within urbanized environments. Summary statistics from regression subsamples with full controls are presented in **Table 2**.²⁰

¹⁹ We draw turnout data from the International Institute for Democracy and Electoral Assistance (International IDEA). Data on growth rates come from Penn World Tables 9.0 and are calculated as within-tenure average (election years inclusive) of the annual percentage change in real GDP denoted in national currency.

²⁰ We subsequently added a war dummy as an additional control variable. We find that all of the results hold.

Table 2. Summary statistics.

Variable	Mean	Std. Deviation	Minimum	Maximum
Δ Vote Share (%)	-6.88	12.34	-39.6	18
Δ EBRD	0.24	0.32	-0.17	1.61
Initial EBRD Level	3.31	0.57	1.89	4.06
Prior Vote Share (%)	33.56	11.44	13.4	67.88
Turnout (%)	64.49	11.34	39.2	91.5
Polity IV	8.1	2.48	-3.5	10
EU Membership	0.34	0.48	0	1
Real GDP Growth Rate (%)	3.13	3.68	-8.61	13.06
Tenure Length (years)	3.76	0.63	2	5
Urban Population (%)	60.07	6.04	38.35	74.78

Notes: $N = 82$.

4. Empirical Results

4.1 Fixed Effects Estimates

Regression results for Equation (1) are shown in appendix **Table A.2** where the dependent variable is the (log) difference in vote shares received by the current incumbent between elections. Columns 1-3 present estimates using Individualism (IND) as our cultural dimension of interest. Columns 4-6 replace individualism with the Power Distance (PDA), while Columns 7-9 use the Uncertainty Avoidance (UA). Specifications in Columns 1, 4, and 7 control for initial EBRD levels, prior vote shares for the current incumbent, voter turnout, incumbent tenure length, and whether the country is ever an EU member during the incumbent's tenure. Column 2, 5, and 8 add average real GDP growth rates over the electoral period, as well as the average percent of the country's urban population as regression controls. Finally, Columns 3, 6, and 9 further control for the quality of democracy via the average value of the country's Polity IV scores during a government's tenure. All regressions include country fixed effects, and a term trend counting the number of years elapsed between 1991 and the election year.

The parameter of interest, γ , is given by the interactions terms $\Delta EBRD \times IND$ (Columns 1-3), $\Delta EBRD \times PDA$ (Column 4-6), and $\Delta EBRD \times UA$ (Columns 7-9). We begin by discussing how more individualistic cultures react to reform efforts. As expected (hypothesis 1), the results presented in Table A.2 suggest that more extensive reforms in relatively individualistic countries tend to be rewarded with more votes in the following election. The coefficient on the interaction remains fairly stable in both magnitude and statistical significance across the various specifications. In particular, note the coefficient on the interaction is positive, lending support to our first hypothesis—more individualistic countries tend to reward parties that engage in greater reform efforts with more votes in the following election.

Unlike individualistic cultures, we find little to no correlation between the reforms in power distant or uncertainty avoiding cultures and the changes in electoral support between elections within the transition economies in our sample. There appears to be no evidence in support of hypothesis 2. While the coefficient on the interaction between changes in reforms and power distance had the expected negative sign, it is not statistically significant in any of our specifications (Columns 4-6). Meanwhile, there is some supporting evidence in favor of hypothesis 3. Column 7 shows the coefficient on the interaction between changes in EBRD levels and uncertainty avoidance to be negative and statistically significant, as expected. In other words, countries with an uncertainty avoiding culture tend to punish governments that promote and foster market reforms. However, once we control for average real growth rates and percent of urban population (Column 8), and further for the quality of democracy through the country's Polity score (Column 9), the interaction is no longer statistically significant. Overall, our fixed-effect panel data models do not find a strong statistical relation between market reforms in power

distant or uncertainty avoiding cultures and the (log) difference in voting shares for an incumbent between elections.

With respect to individualism, results maintain robust statistical and economic significance. A standard deviation increase (by 0.32 points) away from the average *Reform* (0.24 points) is associated with about 60% decrease in the share of preference votes won by the incumbent party when national culture is fully collectivistic ($IND = 0$). On the other hand, a move toward full individualism ($IND = 100$) is associated with about 23% *increase* in the share of preference votes won for a standard deviation increase from average reform extent. The result implies that in highly individualistic cultures, incumbent parties have a higher incentive to implement market reforms and, alternatively, reformist parties tend to dominate the political landscape.

We obtain similar results by transforming the variables of interest *Reform* and individualism into dummies that equal 1 if observed country values in these variables are greater than the in-sample mean. In doing so, we additionally ask whether better-than-average reformers do better in relatively individualistic countries. Parameter estimates from unreported fixed effects regressions (available upon request) suggest that a higher-than-average reform (greater than 0.24 points) is significantly associated with a loss of 32% in countries with less-than-average individualism levels. However, in more-than-average individualistic countries the same effect is associated with about 26% increase in the share of preference votes won by the incumbent.

4.2 Dynamic Panel Results

An implicit assumption in our analysis thus far has been that competing electoral parties behave statically. That is, competing parties do not pay attention to past reforms, how those reforms were received by the electorate, and the electoral performance of incumbents following those

reforms. However, the incumbent as well as competing parties seeking to be elected *can* form expectations about “how well” potential reforms will be received by citizens. One avenue through which the electorate’s satisfaction with a given set of reforms can be gauged is past electoral performance (by either themselves—the incumbent—or another party). Therefore, reforms undertaken by an incumbent could be deemed endogenous as they try to anticipate voter behavior for an upcoming election cycle and purposefully manipulate the extent of their reforms.

Given hypotheses 1-3, this would imply that more pro-market reforms would be undertaken in more individualistic societies, while less extensive reforms would be implemented in power distant and uncertainty avoiding societies. To control for this possibility, we estimate a dynamic panel (Arellano and Bover 1995 method), which includes the lagged dependent variable as an additional control. In doing so, we attempt to effectively “blind” the incumbent party to the electoral consequences of reforms observed in previous elections.

Appendix **Table A.3** reports results for the dynamic panel specifications. The parameter of interest is once again given by the interaction between changes in reform ($\Delta EBRD$) and the three cultural dimensions we test: IND, PDA, and UA. Column 1 reports estimates using individualism as our cultural dimension, Column 2 uses power distance, and Column 3 uses uncertainty avoidance. The results shown in Column 1 corroborate previous findings—more extensive reforms in relatively individualistic countries tend to reward politician through a positive change in vote shares. Unlike our previous estimates, we find that more extensive reforms in power distant societies are associated with a negative and statistically significant impact on electoral performance. Similarly, we find marginal evidence that more reforms in uncertainty avoiding societies also have a negative impact on subsequent electoral performance. Controlling for election performance in the prior period helps address some concerns pertaining to the

endogeneity of reforms and appear to provide further information that fixed effects models in the preceding section did not. These results suggest it may be important to account for past electoral performance, as incumbents may opt to pursue or avoid more extensive reforms, given the attributes of local culture.

4.3 IV Results

We continue to explore the relationship between reforms and electoral outcomes in a Two Stage Least Squares (2SLS) framework. Additional concerns over the endogeneity of reforms arise due to potentially non-random nature of reforms, since politicians' behavior, and therefore political parties' reform stance, are likewise determined by national culture and reflected in the parameter of interest γ . To look for possible sources of random variation, we propose several instrumental variables that proxy for reforms but that are plausibly uncorrelated with the error term ε . To be clear, we instrument for two variables in Equation (1), since the endogenous *Reform* appears twice in estimated equations, alone and as a part of the interaction term *Reform* \times *Culture*.

We begin by considering neighboring countries' reforms as the instrument for domestic reform. One idea behind this instrument is that reforms are politically costly due to uncertainty in *ex post* distributional outcomes, which may cause reform implementation to be postponed (Fernandez and Rodrik 1991). The viability of reforms increases as governments are able to reduce the uncertainty about expected winners and losers of reforms, and also the uncertainty in electoral consequences in future elections. Following Fidrmuc and Karaja (2013), we argue that reform experiences of contiguous neighbors influence a country's reform progress by providing a relevant benchmark in observed reform outcomes. Along the vein of Tiebout (1956), a related argument on reform spillovers posits that countries compete for economic activity by

implementing liberalizing reforms. For example, a country may be enticed to carry out politically costly reforms only if a neighboring country does so first with the aim of attracting capital inflows.

Based on the above considerations, we compute the following instrumental variable for domestic reform:

$$Reform_{it}^{IV} = \frac{1}{n} \sum_n Reform_{-i,t}, \quad (6)$$

where n denotes the number of contiguously neighboring transition countries. This variable is meant to capture the average reform stance of a transition country's immediate neighborhood.

The correlation between $Reform_{it}^{IV}$ and $Reform_{it}$ is strongly positive, with Pearson's coefficient $r = +0.68$.

The next set of excluded instruments we consider captures transition countries' initial conditions in or around 1989. Widely used explanatory variables for reforms in transition literature (e.g., Falcetti et al. 2006; Merlevede 2003), the initial conditions take into account macroeconomic and institutional characteristics of countries prior to the start of transition. Country scores are based on two vectors derived through principal component analysis on a set of 11 different variables that broadly capture the extent of initial macroeconomic distortions and institutional proximity to the West (IC1), as well as initial levels of economic development (IC2).²¹ The initial presence of economic distortions, coupled with low levels of development and lack of market memory, reduce the likelihood of reforms being passed.

²¹ We borrow the data on principal components from Falcetti et al. (2002). The underlying variables are: (i) GDP per capita in 1989, (ii) pre-transition growth rate, (iii) trade dependence on CMEA, (iv) degree of over industrialization, (v) urbanization rate, (vi) natural resources dummy, (vii) years spent under central planning, (viii) distance to EU, (ix) dummy for pre-transition existence as a sovereign state, (x) repressed inflation, and (xi) black market premium (Falcetti et al. 2002, p. 247).

Because principal component vectors are time-invariant by design, they are highly collinear with and therefore subsumed in the country fixed effects. However, to nevertheless allow for the lasting effects of initial conditions on reforms, we interact both principal component vectors with the trend term. Data on two principal component vectors by country are plotted along the two initial conditions dimensions in **Figure 4**. Two clusters of countries become immediately obvious: the ex-Soviet countries (with high levels of development inclusive of over-industrialization, macroeconomic distortions, and market unfamiliarity), and Central-Southeastern Soviet satellite states. Taken together, principal components explain 67% of the variation in variables capturing initial conditions.

Lastly, we address potential instability of culture by focusing only on cultural values of the “elder” cohort born, on average, in 1941. Although the correlation between the elder cohort’s cultural values and the original (averaged) indices is near unity ($r > +0.97$ for all dimensions), we believe that inference can be done with even higher clarity with the elder cohort, as these individuals tend to be more entrenched in their beliefs and because they tend to be more disciplined voters.²² Therefore, we have a total of two endogenous variables

$\{Reforms, Reforms \times Culture^{1941}\}$ and four excluded instruments

$\{Reform^{IV}, Reform^{IV} \times Culture^{1941}, IC1 \times trend, IC2 \times trend\}$ in an overidentified model.

Parameter estimates from second-stage fixed effects 2SLS regressions with full sets of controls are reported in appendix **Table A.4**. As with the earlier results, a robust effect is found only with the individualism/collectivism dimension, indicating its predominance relative to other dimensions in shaping political worldviews of voters concerning pro-market reforms.

²² Note that, in this case, we start by instrumenting the endogenous $Reforms \times Culture^{1941}$ in the first stage regressions, rather than $Reforms \times Culture^{AVERAGE}$.

Furthermore, the value of Hansen’s J statistic of 3.913 (p -value = 0.1414) in the individualism specification implies that the null hypothesis of the validity of excluded instruments is not rejected. Statistical significance and the size of the effect γ remain similar in 2SLS and in the baseline fixed effects estimates.

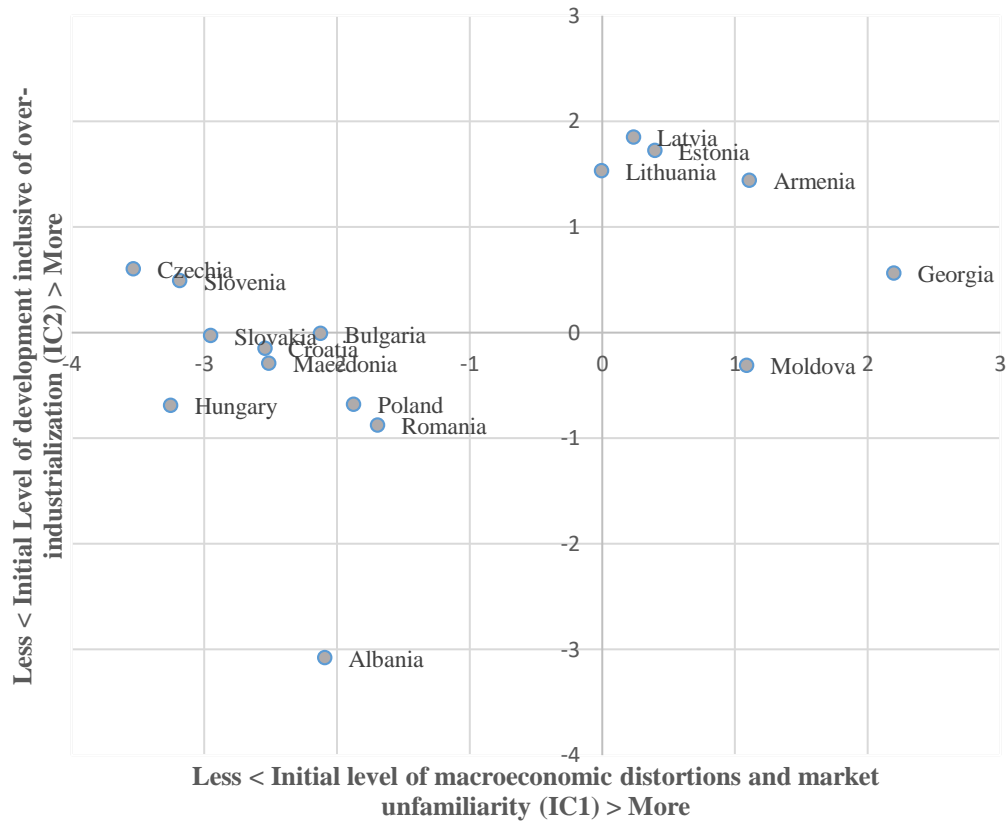


Figure 4. Initial conditions by transition country.

4.4 Alternative Dependent Variable

Table A.5 reports results for a similar specification with an alternative dependent variable. To account for possible mismeasurement in electoral outcomes, we replace the logged difference in

vote shares with a binary variable equal to 1 if the incumbent simply won more votes compared to the previous elections cycle (mean = 0.28; std. deviation = 0.45). As in Table A.3, the first column of Table A.5 interacts Individualism, the second column Power Distance, and the third Uncertainty Avoidance, as the cultural dimension of interest, with reform changes. These results are consistent with the notion that more extensive reforms in individualistic cultures favor current incumbents who are more likely to gain votes in response to reforms. Similar to Table A.2, however, we are unable to reject the null hypothesis that reforms in more power distant or uncertainty avoiding cultures have no impact on electoral performance in response to reforms.

5. Conclusion

This paper builds on the intersection of culture, democracy, and economic development. We begin by recognizing that if democracy can be taken as *the* political system that blurs the line between citizens and government, then voters ought to be able to at least partially determine the behavior of ruling politicians in free and open elections, conditional on prevailing social attitudes. To explore this mechanism empirically, we specifically ask whether electoral consequences of carrying out market-institutional reform are contingent upon the cultural worldviews in transition countries. We find that individualistic societies are more likely to undergo market reforms by rewarding the pro-reformist incumbents at the ballot box. This result attests to one possible mechanism that may translate culture into economic and institutional outcomes.

Our most striking result suggests that market reform adoption in low-individualism (collectivist) transition countries is associated with an electoral punishment for the incumbent of up to three-fifths loss in the share of preference vote following a one standard deviation increase

in average reform. Alternatively, market reforms in highly individualistic countries are consistent with about one-quarter improvement in terms of votes won by the incumbent in the subsequent election, following a standard deviation increase from average reform. This result is robust to a number socio-economic controls, including voter turnout, economic performance during incumbent's tenure, as well as autoregressive and instrumental variable estimation.

An important implication of the study is that the effectiveness of democracy in promoting good-for-development outcomes across countries may be significantly qualified by the worldviews and opinions of the electorate. In that respect, we conclude with the notion that *culture matters*, and that a better understanding of the sources of entrenched cultural attitudes may aid policymakers in overcoming institutional path dependencies in developing economies.

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Appendix

Table A.1. Observed elections and government tenures in 17 transition countries, 1991-2015.

Country	First Tenure	Second Tenure	Third Tenure	Fourth Tenure	Fifth Tenure	Sixth Tenure
Albania	1992-1996	1997-2001	2001-2005	2005-2009	2009-2013	
Armenia	1995-1999	1999-2003	2003-2007	2007-2012		
Bosnia and Herzegovina	1996-1998	1998-2000	2000-2002	2002-2006	2006-2010	2010-2014
Bulgaria	1991-1994	1994-1997	1997-2001	2001-2005	2005-2009	2009-2013
Croatia	1992-1995	1995-2000	2000-2003	2003-2007	2007-2011	2011-2015
Czechia	1992-1996	1996-1998	1998-2002	2002-2006		
Hungary	1994-1998	1998-2002	2002-2006	2006-2010	2010-2014	
Georgia	1995-1999	2004-2008	2008-2012			
Estonia	1992-1995	1995-1999	1999-2003	2003-2007	2007-2011	2011-2015
Latvia	1993-1995	1995-1998	1998-2002	2002-2006	2006-2010	2011-2014
Lithuania	1992-1996	1996-2000	2000-2004	2004-2008	2008-2012	
Macedonia, FYR	1994-1998	1998-2002	2002-2006	2006-2008	2008-2011	2011-2014
Moldova	1994-1998	1998-2001	2001-2005	2005-2009	2010-2014	
Poland	1993-1997	1997-2001	2001-2005	2005-2007	2007-2011	
Romania	1992-1996	1996-2000	2000-2004	2004-2008	2008-2012	
Slovakia	1992-1994	1994-1998	1998-2002	2002-2006	2006-2010	2010-2012
Slovenia	1992-1996	1996-2000	2000-2004	2004-2008	2008-2011	2011-2014

Notes: “Tenure” denote periods of rule by political parties or coalition alliances forming a given government. Tenures are bounded by years of national parliamentary (lower house) elections. Typically, the incumbent political party (or coalition) is the party holding the office of Prime Minister. We do not code tenures for which data are incomplete or unclear, which are extremely brief (< 2 years), or for which political upheaval or constitutional crisis are observed (e.g., Rose Revolution in Georgia in 2003). Moldovan 2009 elections are observed in July, following the failure of the parliament elected in April of that year to elect a new president. Data for Czech Republic are missing post-2006 since EBRD ceased to update this country’s reform progress in 2007. Note that the last observed EBRD reform score is for the year 2014. For two observed countries (Estonia and Croatia) that had elections in 2015, we take the difference between their 2014 EBRD score and the start-of-tenure EBRD score to measure reform implementation during incumbent’s tenure.

Table A.2. Determinants of electoral performance: fixed effects (within) estimates.

	Dep. Var.: Log Difference of Preference Votes Won								
	<i>Individualism</i>			<i>Power Distance</i>			<i>Uncertainty Avoidance</i>		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
$\Delta EBDR$	-2.147*	-1.928**	-1.914**	0.784	0.780	0.556	6.173***	2.617	5.124
	(1.120)	(0.872)	(0.828)	(1.217)	(0.850)	(0.789)	(1.515)	(2.050)	(4.255)
$\Delta EBDR \times IND$	0.034**	0.029**	0.026**						
	(0.015)	(0.012)	(0.011)						
$\Delta EBDR \times PDA$				-0.019	-0.020	-0.018			
				(0.019)	(0.013)	(0.013)			
$\Delta EBDR \times UA$							-0.081***	-0.038	-0.070
							(0.021)	(0.025)	(0.052)
<i>Initial EBDR</i>	-0.275	-0.506	-0.775	-0.214	-0.492	-0.860	-0.316	-0.473	-0.929*
	(0.393)	(0.415)	(0.481)	(0.399)	(0.441)	(0.494)	(0.408)	(0.444)	(0.498)
<i>Prior Vote Share of Incumbent</i>	-0.021**	-0.021***	-0.019**	-0.021***	-0.022***	-0.018**	-0.024***	-0.023***	0.018**
	(0.007)	(0.007)	(0.008)	(0.007)	(0.007)	(0.008)	(0.006)	(0.005)	(0.007)
<i>Voter Turnout</i>	-0.004	0.001	0.000	0.003	0.006	0.003	0.000	0.003	-0.002
	(0.009)	(0.006)	(0.007)	(0.007)	(0.007)	(0.008)	(0.006)	(0.007)	(0.008)
<i>Incumbent Tenure Length</i>	-0.035	0.001	-0.045	-0.029	0.014	-0.036	-0.003	0.008	-0.031
	(0.086)	(0.073)	(0.076)	(0.091)	(0.076)	(0.078)	(0.087)	(0.076)	(0.084)
<i>EU Member</i>	0.486**	0.327*	0.314	0.435**	0.274	0.270	0.306	0.224	0.233
	(0.198)	(0.177)	(0.208)	(0.196)	(0.176)	(0.190)	(0.216)	(0.208)	(0.216)
<i>Growth Rate</i>		0.038***	0.061*		0.037**	0.070**		0.032	0.070*
		(0.012)	(0.030)		(0.015)	(0.032)		(0.020)	(0.033)
<i>% of Urban Population</i>		-0.041	-0.033		-0.061	-0.050		-0.028	-0.003
		(0.029)	(0.033)		(0.037)	(0.041)		(0.036)	(0.044)
<i>Polity IV Score</i>			0.002			0.007			0.018
			(0.023)			(0.028)			(0.031)
Term Trend Since 1991	X	X	X	X	X	X	X	X	X
Country FE	X	X	X	X	X	X	X	X	X
Number of Countries	17	17	16	17	17	16	17	17	16
Observations	88	88	82	88	88	82	88	88	82
R-squared	0.376	0.458	0.477	0.330	0.428	0.455	0.388	0.424	0.464

Notes: The dependent variable is the change in the log difference in votes for PM's party of country i between past and future election. Column 1 shows coefficient estimates for the interaction between the change in EBDR score over incumbent's tenure and the individualism as the cultural measure of interest, while controlling for EBRD level at the start of the incumbent's tenure, prior vote share of incumbent, voter turnout, incumbent tenure length, and a dummy equal to 1 if the country is an EU member in tenure t . Column 2 follows Column 1 but further incorporates the average country's growth rate over the incumbent's tenure as well as the percent of urban population of the country. Finally, in Column 3 we control for the quality of democracy as measured by the average Polity IV score over the incumbent's tenure. Columns 4-6 follow Columns 1-3, but replace individualism with power distance as the cultural dimension of interest. Similarly, Column 7-9 use uncertainty avoidance as the cultural dimension of interest. All regressions include country FE, constant, and a term trend since 1991. Robust standard errors are shown in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A.3. Determinants of electoral performance: dynamic panel results.

	Dep. Var.: Log Difference of Preference Votes Won		
	<i>Individualism</i> (1)	<i>Power Distance</i> (2)	<i>Uncertainty Avoidance</i> (3)
<i>Lagged ΔVoteShare</i>	0.207 (0.158)	0.261 (0.186)	0.217 (0.138)
Δ EBDR	-8.341*** (2.339)	7.170* (4.287)	9.167 (5.598)
<i>IND / PDA / UA</i>	-0.011 (0.013)	-0.003 (0.024)	0.082 (0.050)
Δ EBDR \times IND	0.132*** (0.037)		
Δ EBDR \times PDA		-0.125** (0.061)	
Δ EBDR \times UA			-0.137* (0.071)
<i>Initial EBRD</i>	0.339 (1.265)	0.717 (1.199)	-0.007 (1.126)
<i>Prior Vote Share of Incumbent</i>	0.003 (0.009)	0.000 (0.010)	0.005 (0.009)
<i>Voter Turnout</i>	-0.002 (0.009)	-0.002 (0.009)	-0.001 (0.009)
<i>Incumbent Tenure Length</i>	-0.119 (0.155)	-0.134 (0.162)	-0.115 (0.142)
<i>EU Member</i>	0.589** (0.273)	0.560 (0.341)	0.483 (0.315)
<i>Growth Rate</i>	0.081** (0.040)	0.075* (0.039)	0.097*** (0.031)
<i>% of Urban Population</i>	-0.045** (0.021)	-0.067** (0.027)	-0.015 (0.030)
<i>Polity IV Score</i>	0.099* (0.059)	0.087 (0.075)	0.061 (0.054)
Term Trend Since 1991	X	X	X
Country FE	X	X	X
Number of Countries	16	16	16
Observations	65	65	65

Notes: The dependent variable is the change in the log difference in votes for PM's party of country i between past and future election. Column 1 shows Arellano-Bover coefficient estimates for the interaction between the change in EBRD score over incumbent's tenure and Individualism. Column 2 shows Arellano-Bover coefficient estimates for the interaction between the change in EBRD score over incumbent's tenure and Power Distance. Column 3 shows Arellano-Bover coefficient estimates for the interaction between the change in EBRD score over incumbent's tenure and Uncertainty Avoidance. All regressions include a 1 period lag for the change in vote shares, country FE, constant, and a term trend since 1991. Robust standard errors are shown in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A.4. Determinants of electoral performance: 2SLS estimates.

	Dep. Var.: Log difference of preference votes won		
	<i>Individualism</i>	<i>Power Distance</i>	<i>Uncertainty Avoidance</i>
	(1)	(2)	(3)
$\Delta EBDR$	-2.431 (2.805)	-1.345 (2.856)	5.399 (8.617)
$\Delta EBDR \times IND$ (1941)	0.029** (0.014)		
$\Delta EBDR \times PDA$ (1941)		-0.034 (0.040)	
$\Delta EBDR \times UA$ (1941)			-0.081 (0.098)
<i>Initial EBDR</i>	-1.243 (1.992)	-3.266 (2.365)	-1.423 (1.574)
<i>Prior Vote Share of Incumbent</i>	-0.0186** (0.007)	-0.022** (0.011)	-0.018*** (0.006)
<i>Voter Turnout</i>	-0.002 (0.010)	-0.004 (0.011)	-0.005 (0.009)
<i>Incumbent Tenure Length</i>	-0.020 (0.147)	0.090 (0.223)	-0.010 (0.131)
<i>EU Member</i>	0.305 (0.218)	0.372 (0.345)	0.254 (0.238)
<i>Growth Rate</i>	0.061*** (0.023)	0.070*** (0.021)	0.072** (0.028)
<i>% of Urban Population</i>	-0.035 (0.041)	-0.091 (0.068)	-0.007 (0.061)
<i>Polity IV Score</i>	0.012 (0.054)	0.060 (0.081)	0.042 (0.071)
Term Trend Since 1991	X	X	X
Country FE	X	X	X
Hansen's <i>J</i> -stat. <i>p</i> -value	0.14	0.31	0.07
Number of Countries	16	16	16
Observations	82	82	82

Notes: standard errors are clustered at the country-level. Country FE, constant, and trend term included in all specifications. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.

Table A.5. Determinants of electoral performance: LPM results.

	Dep. Var.: Dummy = 1 if more votes won after tenure		
	<i>Individualism</i>	<i>Power Distance</i>	<i>Uncertainty Avoidance</i>
	(1)	(2)	(3)
$\Delta EBDR$	-0.782 (0.675)	1.608 (0.935)	4.414 (3.240)
$\Delta EBDR \times IND$	0.021** (0.009)		
$\Delta EBDR \times PDA$		-0.021 (0.013)	
$\Delta EBDR \times UA$			-0.050 (0.040)
<i>Initial EBDR</i>	0.120 (0.385)	0.052 (0.382)	-0.001 (0.378)
<i>Prior Vote Share of Incumbent</i>	-0.015** (0.007)	-0.014** (0.007)	-0.014* (0.007)
<i>Voter Turnout</i>	-0.006 (0.008)	-0.003 (0.008)	-0.008 (0.008)
<i>Incumbent Tenure Length</i>	-0.012 (0.135)	-0.003 (0.135)	-0.003 (0.139)
<i>EU Member</i>	0.212 (0.237)	0.203 (0.210)	0.141 (0.226)
<i>Growth Rate</i>	0.017 (0.032)	0.025 (0.032)	0.027 (0.037)
<i>% of Urban Population</i>	-0.048* (0.026)	-0.067* (0.034)	-0.027 (0.027)
<i>Polity IV Score</i>	0.012 (0.020)	0.018 (0.019)	0.019 (0.020)
Term Trend Since 1991	X	X	X
Number of Countries	16	16	16
Observations	82	82	82
R-squared	0.433	0.418	0.413

Notes: The dependent variable is a dummy equal to 1 if the PM's party collected more votes than in the previous election. Column 1, 2, and 3 show results for a linear probability model where *individualism*, *power distance*, and *uncertainty avoidance* are use as the cultural dimensions of interest, respectively. All regressions include country FE, constant, and a term trend since 1991. Robust standard errors are shown in parentheses. *** $p < 0.01$, ** $p < 0.05$, * $p < 0.1$.